

# COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

## **Analysis of the Ithaca, New York Housing Market As of January 1, 2005**



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

## **Foreword**

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of grants, funding applications, or mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the HUD Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the “as-of” date from local and national sources. As such, findings and conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis—January 1, 2005 (Current date)—and from the Current date to a Forecast date—January 1, 2008. In the analysis, 1990 and 2000 refer to the dates of the decennial census—April 1, unless specified otherwise. This analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For purposes of this analysis, the forecast period is 36 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in the demand-supply relationship given the market conditions on the as-of date of the analysis. This analysis was prepared by William Coyner, the Division’s Field Economist in the Buffalo, New York Office, based on fieldwork conducted in May 2004. Questions regarding the findings and conclusions of the analysis may be addressed to Mr. Coyner at 716-551-5755, ext. 5004, and at [william\\_coyner@hud.gov](mailto:william_coyner@hud.gov).

## **Housing Market Area**

The Ithaca, New York Housing Market Area (HMA) is defined as Tompkins County, which is located in the Finger Lakes Region of New York State. On June 6, 2003, the Office of Management and Budget designated Tompkins County as the Ithaca, New York Metropolitan Statistical Area. For purposes of this analysis, the HMA has been divided into two submarkets: the City of Ithaca and the remainder of Tompkins County, referred to in this report as the Remainder of the HMA. Outside the City of Ithaca, the HMA primarily consists of low-density agricultural land, with most communities containing fewer than 10,000 people.

## **Summary**

Education is the dominant industry in the Ithaca HMA due to the location of Cornell University and Ithaca College. With a combined enrollment of more than 26,000 students, these two schools represent the largest source of employment in the HMA.

With education as the major force in the economy, employment growth has traditionally been low but relatively stable.

The student population in the HMA makes up more than 27 percent of the total population base and has a significant impact on the local rental housing market. An estimated 4,150 student households reside off campus in the housing market.

As of the Current date, the overall rental market is balanced to tight in all rent ranges. Production of rental housing has been relatively low in the City of Ithaca due to the lack of available building sites. As a result, much of the multifamily rental construction in recent years occurred in the Remainder of the HMA and was financed either with the assistance of the Rural Development Agency or through the Low-Income Housing Tax Credit (LIHTC) Program.

Conditions in the sales housing market are balanced. In the 5-year period from 2000 to 2004, the median sales price of an existing single-family home in the HMA increased by more than 50 percent, from \$111,600 to \$168,800.

Based on continued modest levels of employment growth, estimates indicate a demand for an additional 700 units of sales housing and 450 units of rental housing during the 3-year forecast period ending January 1, 2008.

## **Economy of the Area**

Employment in the Ithaca HMA is concentrated in the service-providing sector, which is responsible for more than 90 percent of total nonfarm employment in the HMA. Educational services are the dominant industry in the HMA. Cornell University and Ithaca College, two prominent educational institutions, are located in the City of Ithaca and contribute to the economic stability of the area. With a combined student population of more than 26,000 full- and part-time students, these two schools represent the largest

source of employment in the HMA. In addition, this large student population significantly impacts the housing market in the City of Ithaca and supports an extensive service economy. Since 2000, the combined enrollment at the two colleges has increased by approximately 1,000 students.

Other major employers in the Ithaca HMA with more than 500 employees include Borg-Warner Automotive Inc., the Ithaca City School District, Cayuga Medical Center, Wegmans Food Markets, Inc., Emerson Power Transmission, and local government.

Since 1990, moderate but steady employment growth has occurred in the HMA. From 1990 to 2004, total nonfarm employment in the HMA increased to an average of approximately 1,650 jobs a year to total 61,400 in 2004.

Between 2000 and the Current date, total nonfarm employment in the HMA increased by 2,800 jobs, or 4.8 percent. During this 5-year period, employment in the service-providing sector increased by 3,200 jobs, or approximately 6 percent. With the exception of the manufacturing sector, which lost approximately 400 jobs since 2000, most employers in the service-providing sectors have registered gains. In the short term, employment in the manufacturing sector appears to have stabilized; no major declines are expected during the forecast period.

Recent retail development includes the addition of Target, Lowe's, The Home Depot, and Wal-Mart. Cornell University and Ithaca College also have ongoing construction projects. In the spring of 2005, construction of a new \$140 million Life Science Technology Building is scheduled to start on the Cornell University campus.

As of the Current date, the unemployment rate in the HMA was 3.3 percent. Trends in annual average civilian labor force and nonfarm wage and salary employment-by-employment sector, from 1990 through the Current date, are presented in Tables 1 and 2, respectively.

Approximately 24 percent of people employed in the HMA reside outside the HMA. This net in-commutation pattern is a result of the HMA's being a regional economic center and the relatively high cost of sales and rental housing compared with the surrounding counties. The 2004 median sales price for a single-family home in Tompkins County was almost 70 percent higher than the highest cost in any of the adjacent six counties.

During the 3-year forecast period, moderate employment growth is expected to continue. Employment is anticipated to increase in the financial activities, professional and business services, educational services, health care and social assistance, and leisure and hospitality sectors.

### ***Universities and Colleges***

Founded in 1865, Cornell University is a prominent Ivy League university. The campus comprises almost 750 acres on a hill overlooking the city of Ithaca. In addition to having a diverse undergraduate and graduate curriculum, Cornell University also has a law

school. In 2002, the university ranked 10th in the nation in research expenditures, which approximated \$500 million. Major research initiatives include nanotechnology and astronomy. The current enrollment at Cornell University is approximately 19,500 students.

Ithaca College, a private liberal arts school, was originally established in 1892 as the Ithaca Conservatory of Music. The college has evolved into a diverse educational institution that now includes study in dance, physical education, speech, and business education. Ithaca College offers more than 100 different degree programs to approximately 6,500 students, most of who reside on campus or at the adjacent apartment complex owned by the college.

Tompkins Cortland Community College, located in the town of Dryden in eastern Tompkins County, was founded in 1968. The community college offers associate degrees in 34 programs and has a current enrollment of more than 3,000 full- and part-time students.

## **Household Income**

According to the HUD Economic and Market Analysis Division, the median family income for the Ithaca HMA in 2005 is estimated at \$61,850. The median family income is significantly higher than that of the surrounding counties.

## **Population**

The current population in the Ithaca HMA is estimated at 98,650, a 2.2-percent increase since the 2000 Census. This change compares with an increase of approximately 2.6 percent between 1990 and 2000, when total population of the HMA increased from 94,097 to 96,501. Population trends from 1990 through the Forecast date for the HMA and submarket areas are presented in Table 3.

Between 1990 and 2000, population growth in the HMA as a result of net natural increase (resident births minus resident deaths) was 415 people annually in the HMA. During the 1990s, the population of the City of Ithaca declined as a result of net out-migration. The loss would have been greater if out-migration had not been offset by an average annual net natural increase of approximately 60 people during this period.

Between 1990 and 1994, an average of 1,110 births a year occurred in the HMA. During the second half of the decade, resident births declined to an average of 870 a year. In contrast, the number of deaths annually remained relatively constant at an average of 510. Consequently, the population growth from net natural increase declined during the second half of the decade.

Employment growth and population growth are projected to continue at the same rates as from 2000 to the Current date. Out-migration from the HMA is expected to decrease slightly. As of January 1, 2008, the total population of the Ithaca HMA is expected to be

approximately 100,100, or an average annual increase of 485 people a year during the 3-year forecast period.

## **Households**

Between 1990 and 2000, the number of households in the Ithaca HMA increased by an average of 305 households annually. In the City of Ithaca, the number of households increased by an average of only 65 a year during the period. As of the Current date, an estimated 37,880 households are in the Ithaca HMA, which is an average annual increase of 430 households since 2000. A continued moderate rate of population growth is anticipated to result in the formation of an additional 370 households annually in the HMA during the 3-year forecast period.

Through January 1, 2008, the number of households is expected to total 38,980. Trends in household change from 1990 through the Forecast date for the HMA and its two submarkets are presented in Table 3.

## **Housing Inventory**

In 2000, approximately 54 percent of all households in the Ithaca HMA were homeowners. There is a significant difference in housing tenure, however, between the City of Ithaca and the Remainder of the HMA. Because of the student population in rental housing, only 26 percent of the households in the City of Ithaca were homeowners, compared with 65 percent in the Remainder of the HMA.

Between 1990 and 2000, the total housing inventory in the HMA increased to 38,625 units, or an average growth of 330 units annually. Since 2000, the housing inventory has increased at an average annual rate of approximately 320 units to total 40,230 as of the Current date.

A summary of housing inventory, tenure, and vacancy for 1990, 2000, and the Current date is presented in Table 4. Annual trends in residential building permit activity in the HMA from 1993 through January 1, 2005, for single-family and multifamily housing are presented in Table 5.

In the interval between 1990 and 2004, residential construction activity in the HMA averaged approximately 330 units a year. Of this total, single-family building permit activity made up an average of 200 units a year and represented approximately 60 percent of total residential construction activity. Between 2000 and the Current date, 1,680 building permits were authorized in the HMA. Most single-family residential permits involved building activity in the Remainder of the HMA.

Between 2000 and 2004, residential construction permits averaged 80 units a year in the HMA. Most of this development involved single-family activity outside the City of Ithaca. Multifamily building permit activity during this period averaged 40 units annually.

As a result of the limited demand, much of the new apartment construction involves properties of 50 units or fewer. Most of the development has involved some types of subsidy.

Manufactured homes also represent a significant component of the housing inventory in the HMA. As of the 2000 Census, the HMA contained 3,360 occupied manufactured homes, or 9.2 percent of the total occupied housing inventory. Of this total, 2,523 units, or 75 percent, were owner occupied. Between 1990 and 2000, a tenure shift resulted in a net increase of 161 renter-occupied units. In 2004, the HMA contained 46 registered manufactured home parks with approximately 2,300 manufactured home pads.

As of the 2000 Census, the sales vacancy rate in the HMA was 1.6 percent and the rental vacancy rate was 4.6 percent. As of the Current date, the sales vacancy rate has increased slightly to 1.8 percent and the renter vacancy rate has remained unchanged at 4.6 percent.

## **Sales Market Conditions**

Historically low interest rates have helped support strong demand for sales housing in the Ithaca HMA. Since 2000, both the sales volume and the median price of existing housing have increased significantly. According to the Ithaca Board of Realtors<sup>®</sup>, the median sales price of an existing single-family home in the HMA increased by more than 50 percent since 2000 to \$168,810 in 2004. Over this period, sales activity has averaged approximately 960 homes a year, or 37 percent greater than the average sales volume in the 1990s.

Single-family homes priced between \$400,000 and \$600,000 are being built in the Remainder of the HMA in areas such as Lansing and Cayuga Heights.

## **Rental Market Conditions**

Overall, conditions in the rental market in the HMA are tight. Vacancy rates of 4 to 5 percent in existing apartment developments are typical throughout the HMA. Conditions are relatively tight in all rent ranges. Because of the low volume of apartment production in the HMA and the significant demand from student households, the rental housing market in the City of Ithaca remains extremely tight. In downtown Ithaca, for rental properties targeted to university students, records show vacancy rates of 3 percent or less.

Local estimates indicate that approximately 50 percent of Cornell University's students live off campus. At Ithaca College, off-campus students represent about 30 percent of total enrollment. In total, students occupy more than 4,000 rental units, representing more than 20 percent of the rental-housing inventory in the HMA.

The price of off-campus student housing typically averages \$500 to \$600 a month. Usually, a group of college students will reside in an older property containing four or five bedrooms, paying a gross rent of \$2,400 to \$3,000 a month. The limited availability of vacant parcels and the hilly terrain near the Cornell University campus restrict the ability of the market to expand to meet the demand for more rental units. Much of the

multifamily rental construction in recent years occurred in the Remainder of the HMA and was financed with the assistance of the Rural Development Agency or through the LIHTC Program.

Since 2000, 160 units of “affordable” rental housing have been built in the City of Ithaca using LIHTC financing. Low-income monthly rent levels are \$280 for a one-bedroom unit, \$330 for a two-bedroom unit, and \$380 for a three-bedroom unit, plus utility costs. These affordable rental units were absorbed quickly.

## **Forecast Housing Demand**

Based on anticipated household growth and current housing market conditions, estimates indicate there will be a demand for approximately 700 additional sales housing units and 450 additional rental units during the 3-year forecast period ending January 1, 2008. This level of housing development would allow for a reasonable balance between demand and supply conditions in the HMA.

A qualitative distribution of forecast demand for new market-rate rental units by bedroom size and rent levels are shown in Table 6. The distribution of demand by bedroom size is based on the characteristics of renter households and rental inventory as of the 2000 Census. Rental housing production is based on the period since the 2000 Census. Estimates indicate a demand for approximately 180 one-bedroom units, 220 two-bedroom units, and 50 three-bedroom units.

**Table 1**  
**Labor Force and Employment**  
**Ithaca HMA**  
**1993 to January 1, 2005**

	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Labor Force	48,900	49,000	49,100	49,400	50,400	50,500	52,100	51,700	52,400	54,300	55,100	55,300
Employment	47,000	47,100	47,300	48,000	48,800	49,000	50,600	50,300	51,000	52,400	53,400	53,500
Unemployment	2,000	1,900	1,700	1,500	1,600	1,500	1,500	1,400	1,400	1,900	1,700	1,800
Rate (%)	4.1	3.9	3.5	3.0	3.2	3.0	2.9	2.7	2.7	3.5	3.1	3.3

Note: Numbers may not add to totals due to rounding.

Source: New York State Department of Labor, Division of Research and Statistics

**Table 2**  
**Nonfarm Employment by Industry**  
**Ithaca HMA**  
**1993 to January 1, 2005**

Employment Sector	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total Nonfarm	50,900	51,600	52,500	52,800	53,300	54,300	57,700	58,600	59,500	59,700	60,800	61,400
Goods-Producing	4,700	4,800	5,000	4,800	4,900	5,100	5,400	5,400	5,400	5,100	5,100	5,100
Natural Res./Construction/Mining	1,100	1,200	1,200	1,100	1,000	1,000	1,100	1,100	1,100	1,100	1,100	1,200
Manufacturing	3,600	3,700	3,800	3,700	3,900	4,100	4,300	4,400	4,300	4,000	4,000	3,900
Service-Providing	46,200	46,800	47,500	48,000	48,400	49,200	52,300	53,200	54,100	54,600	55,700	56,400
Trade	5,000	5,100	5,100	5,000	5,100	5,000	5,100	5,100	5,300	5,200	5,400	5,300
Wholesale Trade	600	700	600	600	500	500	500	500	600	500	500	500
Retail Trade	4,400	4,400	4,500	4,400	4,600	4,500	4,600	4,600	4,700	4,800	4,900	4,900
Transportation & Utilities	1,100	1,000	1,100	1,100	1,100	1,000	1,000	1,000	1,000	1,000	900	900
Financial Activities	1,500	1,500	1,600	1,500	1,400	1,400	1,400	1,400	1,500	1,600	1,700	1,600
Professional & Business Services	2,100	2,100	2,000	2,100	2,100	2,400	2,700	2,700	2,700	2,700	2,800	2,800
Educational & Health Services	23,300	23,600	24,200	24,900	25,300	25,900	28,200	28,700	29,000	29,400	30,400	31,000
Educational Services	19,400	19,600	20,100	20,800	21,100	21,800	23,900	24,300	24,400	24,700	25,500	26,100
Health Care & Social Assistance	3,900	4,000	4,100	4,100	4,100	4,200	4,300	4,400	4,600	4,800	4,900	5,000
Leisure & Hospitality	3,500	3,500	3,500	3,400	3,400	3,300	3,400	3,500	3,600	3,700	3,700	3,800
Other Services/Information	1,900	1,900	2,000	2,000	2,000	2,100	2,200	2,300	2,200	2,200	2,200	2,200
Government	7,900	8,100	8,100	8,000	8,100	8,200	8,300	8,500	8,800	8,700	8,700	8,800

Note: Numbers may not add to totals due to rounding.

Source: New York State Department of Labor, Division of Research and Statistics

**Table 3**  
**Population and Household Trends**  
**Ithaca HMA**  
**April 1, 1990 to January 1, 2008**

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
<b>Population</b>										
Ithaca HMA	94,097	96,501	98,650	100,100	240	0.3	450	0.5	480	0.5
City of Ithaca	29,541	29,287	29,220	29,200	-25	-0.0	-20	-0.0	-10	-0.0
Remainder of HMA	64,556	67,214	69,430	70,900	265	0.0	470	0.4	490	0.7
<b>Households</b>										
Ithaca HMA	33,338	36,420	37,880	38,980	305	0.0	430	0.3	370	1.0
City of Ithaca	9,617	10,287	10,600	10,650	65	0.0	120	0.3	20	0.2
Remainder of HMA	23,721	26,133	27,280	28,330	240	1.0	310	0.3	350	1.3

Notes: Rate of change is calculated on a compound basis.  
Average annual changes are rounded for comparison.

Sources: 1990 and 2000—U.S. Census Bureau  
Current and Forecast: Estimates by analyst

**Table 4**  
**Housing Inventory, Tenure, and Vacancy**  
**Ithaca HMA**  
**1990 to January 1, 2005**

	Ithaca HMA			City of Ithaca			Remainder of HMA		
	1990	2000	Current	1990	2000	Current	1990	2000	Current
<b>Total Housing Inventory</b>	35,338	38,625	40,230	10,075	10,736	11,110	25,263	27,889	29,120
Occupied Units	33,338	36,420	37,880	9,617	10,287	10,600	23,721	26,133	27,280
Owners	18,427	19,574	20,370	2,778	2,671	2,660	15,649	16,903	17,710
%	55.3	53.7	53.8	28.9	26.0	25.1	66.0	64.7	64.9
Renters	14,911	16,846	17,510	6,839	7,616	7,940	8,072	9,230	9,570
%	44.7	46.3	46.2	71.1	74.0	74.9	34.0	35.3	35.1
Vacant Units	2,000	2,205	2,350	458	449	380	1,542	1,756	1,920
For Sale	245	319	370	23	58	60	222	261	310
Rate (%)	1.3	1.6	1.8	0.8	2.1	2.2	1.4	1.5	1.7
For Rent	800	814	810	253	215	230	547	599	580
Rate (%)	5.1	4.6	4.6	3.6	2.7	2.8	6.3	6.1	5.7
Other Vacant	955	1,072	1,170	182	176	50	839	896	950

Sources: 1990 and 2000—U.S. Census Bureau  
 Current—Estimates by analyst

**Table 5**  
**Residential Building Permit Activity**  
**Ithaca HMA**  
**1993 to January 1, 2005**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Ithaca HMA</b>												
Total	243	659	216	225	168	311	399	556	299	399	336	182
Single-family	229	451	181	189	143	173	145	172	211	227	235	124
Multifamily	14	208	35	36	25	138	254	384	88	172	101	58
<b>City of Ithaca</b>												
Total	1	1	1	14	3	122	159	350	11	1	64	54
Single-family	1	1	1	7	2	1	1	2	3	1	3	2
Multifamily	0	0	0	7	1	121	158	348	8	0	61	52
<b>Remainder of HMA</b>												
Total	242	658	215	211	165	189	240	206	288	398	272	128
Single-family	228	450	180	182	141	172	144	170	208	226	232	122
Multifamily	14	208	35	29	24	17	96	36	80	172	40	6

Source: U.S. Census Bureau, Building Construction Surveys

**Table 6**  
**Estimated Qualitative Demand for New Market-Rate Rental Housing**  
**Ithaca HMA**  
**January 1, 2005 to January 1, 2008**

One Bedroom		Two Bedrooms		Three Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
500	180	600	220	700	50
550	150	650	190	800	40
600	140	700	170	850	30
650	130	750	140	900	20
700	110	800	120	950 or more	10
750	90	850	90		
800	70	900	70		
900	50	1,000	60		
1,000	40	1,100	50		
1,100	30	1,200	40		
1,200	20	1,300 or more	30		
1,300 or more	10				

Note: Distribution above is noncumulative.  
Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst